

Minister's Message



In today's vibrant economy, the new Canadian folk hero is the entrepreneur. Small business is the motor that drives Canada's record economic growth and entrepreneurs are the spark plugs of that motor. They are idea people — motivators and activists — determined to turn a business opportunity into a business success. When they succeed, Canada succeeds, with new jobs, new or improved products and better services. That is why, on behalf of the Government of Canada, I am pleased to introduce the first-ever National Policy on Entrepreneurship.

The purpose of the policy is three-fold: to encourage entrepreneurship, especially amongst Canada's youth, women, mid-career professionals, natives, the disabled and seniors; to nurture entrepreneurship amongst those who own or operate existing small and medium-sized businesses, thereby helping them grow and expand; and to remove such obstacles to entrepreneurship as paperburden and red tape, which so often frustrate people who operate small businesses.

The Government of Canada is proud to salute and celebrate the Canadian entrepreneur. As you read this pamphlet, you will understand why **small business is big business** throughout Canada.

Sincerely,

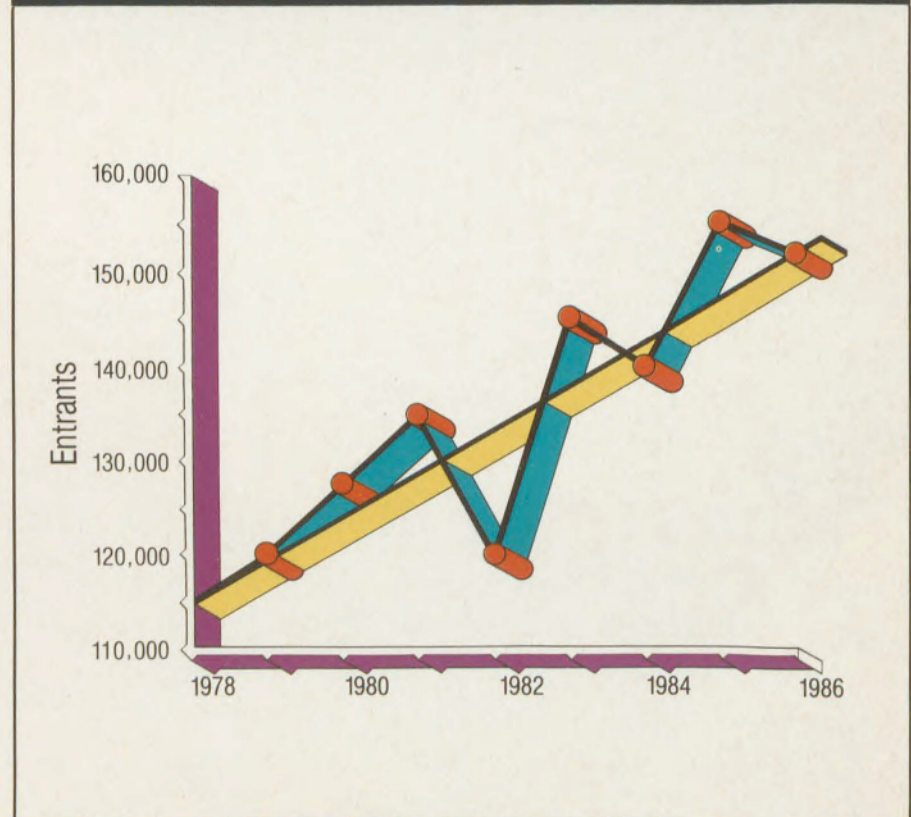
The Honourable Bernard Valcourt
Minister of State
(Small Businesses and Tourism)

10 Reasons Why Small Business is BIG Business in Canada

- 98.8 per cent of all companies in Canada are small businesses*.
- The number of Canadian small businesses increased 42 per cent between 1978 and 1986, whereas the businesses employing more than 500 people decreased by 1.2 per cent.
- There are now more than 840,000 small businesses in this country.
- Of the 1,267,000 new jobs created in Canada since September 1984, over 1 million — more than 80 per cent — have been created by small businesses.
- Most small businesses start-ups are in the three largest sectors of the economy: services, retail trade and construction.
- Approximately 50 per cent of all small businesses in Canada are owned or operated by Canadians of non-British or non-French origin.
- More than half the companies doing research and development in Canada are small businesses: they spend 13 per cent of their sales on intramural research, compared to about one per cent spent by large companies.
- More women than men now start up their own companies; 24 per cent of small business proprietors are women.
- More than 100,000 Canadians between the ages of 15 and 24 own their own businesses.
- In 1986, 152,651 new small businesses were born in Canada — representing more than \$1 billion of investment in the Canadian economy and the creation of more than a quarter-million new jobs.

*Defined as a company with annual revenues of less than \$2-million and employing fewer than 100 people.

Business Starts, Canada, 1979-86



The National Policy on Entrepreneurship

Because "small business is big business" in Canada, the Government has formally adopted as its policy "the mobilization of entrepreneurship for the economic, social and cultural development of all parts of our country, in partnership with the private sector, provincial and territorial governments, and the academic community".

Entrepreneurship is a vital element in Canada's current economic prosperity, just as it is deeply characteristic of the Canadian spirit. Canada has always drawn to itself people of vision and spirit — classical entrepreneurs — because this is where it is possible to dream and, with hard work and determination, make dreams come true.

The goals of the new National Policy are to promote entrepreneurship; to nurture entrepreneurship; and to remove obstacles to successful entrepreneurship. Here's what that means in practical terms and here's how it will work.

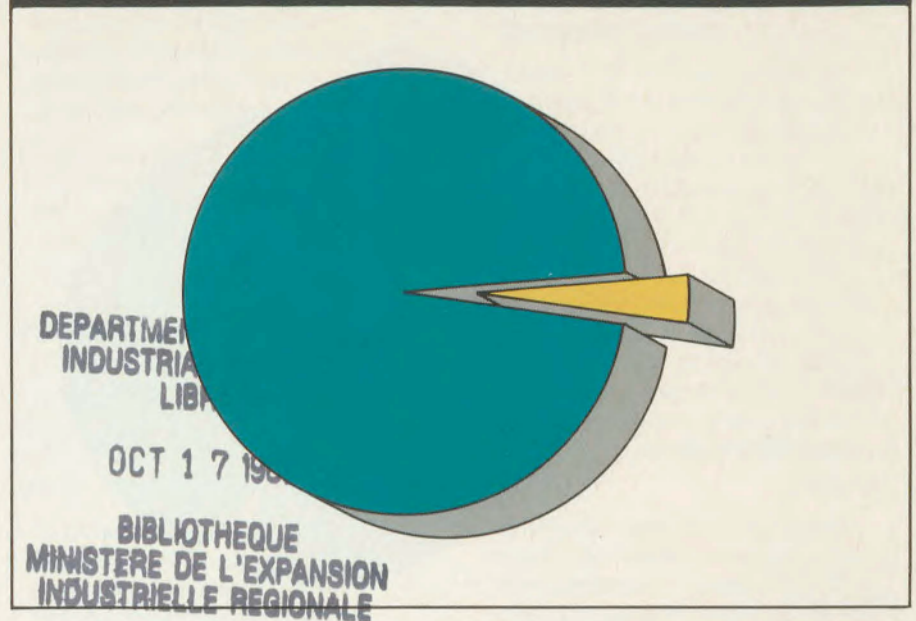
Promoting Entrepreneurship

The goal of promoting entrepreneurship is to reach talented people who have never considered owning a small business as a career possibility. Women, young people, natives, the disabled, new Canadians, seniors — all need to know more about entrepreneurship so that they can judge whether it is right for them.

But it is equally important to make sure that Canadians who are not now and may never become entrepreneurs, understand why entrepreneurship is worthy of their support — how it affects our society, our standard of living, and our goals.

In order to promote entrepreneurship, a National Institute for Entrepreneurship will be established to act as a clearinghouse of expertise, information and research on entrepreneurship and small business development. The Institute's mandate will be to stimulate new research into the nature of entrepreneurship in Canada, develop strengthened networks amongst entrepreneurs, promote awareness of entrepreneurship via the education system and act as an easily accessible fountain of entrepreneurial ideas and information.

98.8% of the companies in Canada are small businesses



In 1989, a special forum will be held on the future of entrepreneurship in Canada. Participants will be representatives of Canada's small and large business communities, its financial institutions and academic community, as well as international experts on entrepreneurship and small business development.

Together, they will explore such issues as how to remove obstacles to entrepreneurship: the role of government in supporting small businesses and, most important, the attitudes that motivate the Canadian entrepreneur.

Next in keeping with the Government's commitment to act in partnership with the private sector in a range of initiative that promote and nurture entrepreneurship, Industry, Science and Technology Canada will provide financial assistance to projects which will stimulate awareness and understanding of entrepreneurship in Canada.

Because of the importance of entrepreneurship to the economic security of all Canadians, an annual report on the state of small business in Canada will be tabled in Parliament. The report will also outline the Government's intentions and priorities for the future, as they relate to small business.

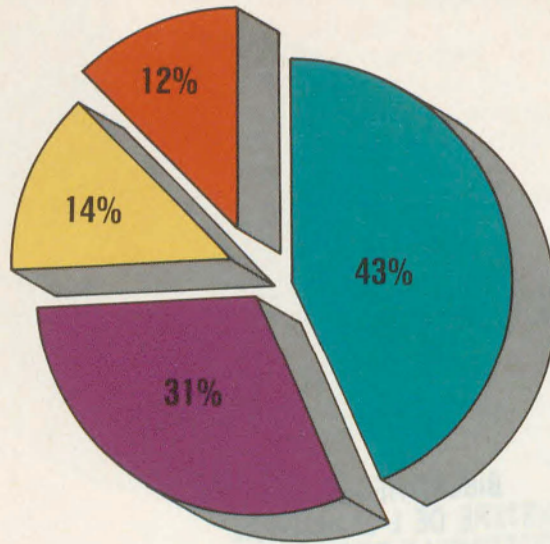
Nurturing Entrepreneurship

The second goal of the National Policy is to nurture entrepreneurship where it already exists. It will require helping small businesses to grow and expand by providing targeted, regionally sensitive business assistance programs through the Atlantic Canada Opportunities Agency, the Western Economic Diversification Department, Northern Ontario Development Program (Fednor) and the Quebec Regional Development Plan.

It means bringing technology closer to the individual entrepreneur through the new Department of Industry, Science and Technology. And it means making federal Government procurement opportunities more accessible to small businesses, wherever they operate.

But there's more. Nurturing entrepreneurship requires innovative financing measures for small businesses. The Canadian Opportunities Investment Network — COIN — will now expand nation-wide with Government of Canada assistance. Operated in conjunction with local chambers of commerce, it links entrepreneurs with investors. By combining ideas with dollars, new business ventures can form and grow.

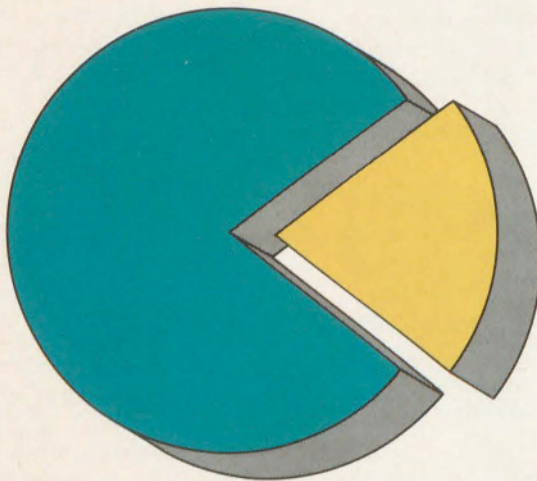
1986 figures for business start-ups Breakdown by major sectors



Legend

Business/Personal
Services
Retail Trade
Construction
Others

Small businesses generated more than 80% of the 1.2-million new jobs created since September 1984.



The Small Business Loans Act and the Federal Business Development Bank will be reviewed to ensure that they satisfy the debt and equity needs of entrepreneurs.

Removing Obstacles to Entrepreneurship

The third principle is to remove obstacles that work against entrepreneurship. The Government of Canada has been cutting the red tape and paperburden that are particular irritants to people in small businesses; the result has been to reduce the number and complexity of Government forms and to guard against repetitiveness and needless intrusions into people's businesses.

This work has been accomplished with the direct assistance of the small business community through a private sector advisory committee on paperburden reduction. Government departments and agencies must submit annual paperwork reduction plans to Cabinet for approval. All regulations are receiving close scrutiny by Cabinet under the Government's new regulatory reform policy. Departments are required to advise Ministers specifically on small business and paperburden impacts.

To carry the work further, as part of the ongoing principle of removing obstacles to entrepreneurship, the Government has adopted as a goal the net reduction in paper burden on small businesses.

The Government enthusiastically and actively acknowledges the importance of small and medium-sized businesses. We can offer expertise, information and financial assistance. We can help — and we have helped — create the climate in which entrepreneurship has the optimum chance of success.

But success depends on the individual entrepreneur. He or she has to have the fresher idea, the better method, the loftier dream — and the sheer energy and determination to make it work. Ultimately, investment in entrepreneurship is nothing less than investment in the people of Canada.

Entrepreneurship and the Government of Canada

The National Policy on Entrepreneurship is the most recent in a series of steps undertaken by the Government of Canada to strengthen small businesses. Those range from such direct action as tax incentives and paperburden reduction to the benefits of broader initiatives, including privatization and the free trade agreement. These are some of the most important.

Encouraging Investment in Small Businesses

- The corporate income tax rate for small business has been reduced from 15% to 12%.
- Capital gains exemptions for investments in shares of small businesses to make them more attractive to investors.
- The Government has increased incentives for pension funds to invest in small and medium-sized businesses.
- The federal budget of February 1988 includes an individual tax credit of 20 per cent of the cost of shares in a national labour-sponsored venture capital corporation; it will make small and developing businesses particularly attractive to potential investors.
- New regulations permit as much as 50 per cent of Registered Retirement Savings Plans and Registered Retirement Investment Funds to be invested in small and medium-sized Canadian-controlled private corporations.
- The Student Business Loans Program, part of Challenge '88, has helped hundreds of enterprising young men and women start successful businesses. This summer, it provided \$800,000 in loan guarantees to assist hundreds more.

Reforming Government Regulations That Affect Small Business

- For the first time in Canadian history, regulatory reform has become a high-level priority and been assigned to a specific Cabinet Minister.
- A Citizens' Code of Regulatory Fairness, setting out ground rules on treatment of the public by federal regulators, has been introduced.

- A package of regulatory reforms has been tabled by the Government, including 43 specific initiatives that affect regulatory programs in 16 federal departments, and seven federal agencies.
- Regulatory proposals must now be accompanied by an impact analysis on small business, and be able to withstand scrutiny by a Cabinet committee responsible for regulatory affairs.

Reducing Paperburden for Entrepreneurs

An annual paperwork reduction plan is now in place. Significant progress has been made in reducing paperburden imposed on small business by federal departments and agencies. Among its achievements:

- Statistics Canada dropped 7,700 small businesses from its surveys, relying instead on administrative records to generate needed information for the public and private sectors; the agency is also accepting computer print-outs, instead of survey forms, and allows small businesses to respond to surveys by telephone, using toll-free lines throughout the country. Small businesses with less than \$250,000 gross income are no longer required to provide annual financial data.
- Revenue Canada — Taxation has simplified pension and unemployment tables; eliminated several forms and simplified others; produced special guides for use by small businesses filing tax returns and improved advisory services to employers.
- Revenue Canada — Customs and Excise has eliminated a wide range of forms, which has simplified and accelerated the process of obtaining refunds from the Department for overpayment of duties.
- Employment and Immigration is in the process of reducing the number of forms it uses by approximately two-thirds.
- Supply and Services has adopted simplified procurement procedures and is using a new short form for some 200,000 contracts, totalling more than \$300-million annually.

Improving Small Business Access to Government Contracts

Access Small Business is a series of initiatives that give entrepreneurs better opportunities to compete for federal business, using sub-contracting requirements, rotational bidding, and other programs. A small business sub-contracting plan is required from bidders on contracts between \$10-million and \$100-million, where appropriate. Further, all industrial benefit packages on major Crown projects over \$100-million will now include both small business sub-contracting plans and supplier development plans. These will be considered as part of the bid evaluation criteria.

In addition to programs and policies specifically designed to benefit business, the Government of Canada has launched a series of broader initiatives that will have a significant impact on entrepreneurship. Among them:

- The Canada-U.S. Free Trade Agreement, which lowers tariffs on goods and services entering the United States, offers small businesses easier and more assured access to the American market.
- The new Department of Industry, Science and Technology will have programs to improve the access of small businesses to new technologies thereby improving their productivity and competitiveness;
- Tax reform and the steady, year-after-year reduction of the federal deficit, which has helped create the stable, efficient economy essential for the success of small and mid-sized businesses.

For more information about entrepreneurship, write:

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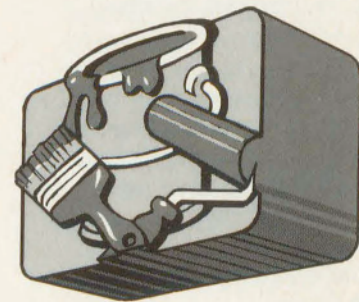
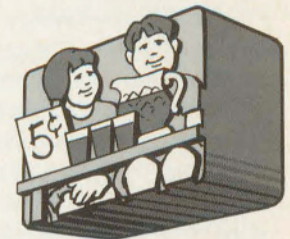
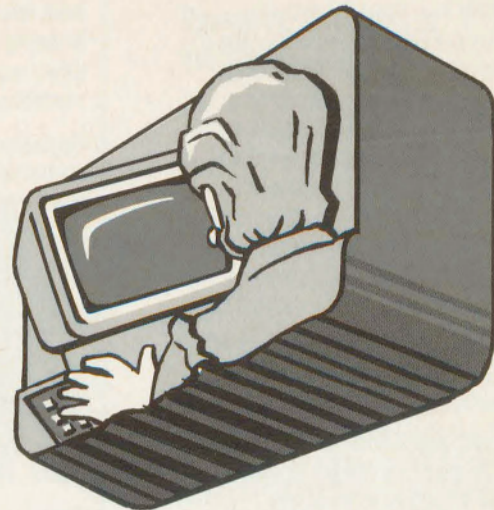
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